

# How to Shoot Film in KOREA



Korean Film Council



KOREA  
TOURISM  
ORGANIZATION

# How to Shoot Film in KOREA



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## Introduction to Panel Discussion

# How to Shoot Film in Korea

**Date :** Friday, November 21st • **Venue :** Goa Marriott Resort, Salon  
**Host :** Korean Film Council, Korea Tourism Organization,  
National Film Development Corporation Ltd.

### Outline

Korea has a notable and influential film market in the Asian film industry. It produced 207 domestic feature length films and had a domestic share of 59.7% in 2013. The Korean audiences have a strong taste for films with average screening number of 4.25 films per person a year. Korean film industry has become a potent candidate for international co-production partnerships due to its experienced crew, solid infrastructure, and stable domestic market.

In addition, 'KOFIC Location Incentive' was introduced in 2012 where foreign audio-visual works including feature films and broadcast programs filmed in Korea are eligible to receive up to 30% cash grant. It has been implemented to promote shooting in Korea. As a result, many works were shot in Korea including *Avengers: Age of Ultron*, *America's Next Top Model* and *Sense 8* in 2014, and they are either waiting for its theatrical release or televised broadcast.

To India, the world's largest film producing country, a strong East Asian film industry like Korea could be an appealing production partner. In the panel discussion 'How to Shoot Film in Korea,' there will be an opportunity to look at the Korean film industry's overall system and the location incentive program which will hopefully lead to the co-productions in the future.

Event	Duration	Details
Introduction to Korean film industry and location incentive	10 minutes	- Introduction of current state of Korean film industry and 'KOFIC Location Incentive' program *Presentation from KOFIC's International Co-production Team Manager, HAN Sang-hee
Panel discussion and Q&A	50 minutes	- Discussion about Korean film industry's production system, 'KOFIC Location Incentive' and production environment (with consecutive interpretation) - Q&A Session

# KOFIC Introduction



## Korean Film Council

The Korean Film Council (KOFIC), a government-supported, self-administered body, strives to promote and support Korean films both in Korea and abroad. KOFIC's primary objective is to promote and support the production of Korean films through funding, research, education and training. It also strives to actively participate in international markets on the behalf of Korean films and to promote inter-cultural understanding through film-based cultural exchanges.

## KOFIC Priorities

1. Establishment of plans to promote the Korean film industry.
2. Management of the Korean Film Development Fund.
3. Provision of support for the production, distribution and screening of films in order to ensure quality and greater diversification.
4. Management of film production facilities.
5. Support in the form of overseas marketing and promotion of international exchanges.
6. Research and development.
7. Education and training of film-related personnel.

# KTO Introduction



## Promotion Korean tourism to the world

The KTO has established thirty branch offices and seven Korea plazas in eighteen countries. The KTO has been the key player in drawing more International visitors to Korea and plays a major role in promoting Korea to overseas tourists through marketing for each region. KTO has been aggressively participating in International Events, Branding Advertisements, customized marketing, Media Coverage, Familiarization trips to Partners (Media, Travel Agents & Corporate), Market Survey, Market Competitiveness and sales promotion of Korea tour products, Massive Incentive Programme for MICE Activities, Supporting Movie/TV Shooting and on/offline travel information of Korea.

## Nurturing Korea's tourism industry

The Korea Tourism Organization seeks out and identifies new tourism resources to meet the ever increasing public demand, enforces partnerships with the tourism industry and local organizations to promote tourism within Korea and improves tourism conditions for the satisfaction and convenience of tourists. The KTO's core role is to encourage domestic tourism, boost regional tourism, build and promote tourism infrastructure, enhance tourism industry support system, assist tourism professional training, maximizing visitors to Korea through Korea Tourism Branding. The KTO has been focusing its efforts on developing tourism technology as well as combining Hallyu - the 'Korean Wave' and tourism Industry through Hallyu marketing to stimulate the Korean tourism industry and sharing Korea's culture with the world.

## Upgrading the competitiveness of the tourism industry

To improve tourist satisfaction and enhance the competitiveness of the tourism industry, KTO is making improvements in the tourism environment, the service infrastructure, which includes accommodation, food and information services, product training to overseas partners as well as the education of tourism personnel.

## Nurturing the next-growth engine of the tourism industry

The tourism industry creates new value when converged with other industries. The KTO is concentrating its resources on nurturing green tourism, medical tourism, and the MICE industry as the next growth engine of the industry.

# Panelists & Companies



## Panelists

### Mr. Daniel H. BYUN [byun@skku.edu](mailto:byun@skku.edu)



- Commissioner of Korean Film Council
- Founder of TMI : Trans Media Institute (Seoul, KOREA)
- Professor of University SungKyunkwan (Seoul, KOREA)
- Ph.D Aesthetics of University Paris I (Paris, FRANCE)
- Diploma of F.E.M.I.S (Paris, FRANCE)

#### Filmography (Dir.)

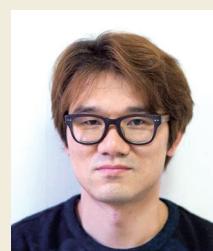
2004 *The Scarlet Letter*, Feature

1997 *Bruno, 34ans*, Documentary

2000 *Interview*, Feature

1990 *Homo Videocus*, Short Film

### Mr. YI Jong-ho [ayaman123@gmail.com](mailto:ayaman123@gmail.com)



- CEO of TPS Company

#### Production Service

2014 *Seoul Searching* (USA)

2014 *Memories of the Sword*

2011 *The Bourne Legacy* (USA)

2013 *An Ethics Lesson*

2010 *Approved for Adoption* (France, Belgium)

2011 *The Front Line*

2010 *Tiffany Rubin Story* (Canada)

2009 *Paju*

2010 *Cyrano Agency*

2008 *Ride Away*

2009 *Go Go 70's*

2008 *Girl Scouts*

### Ms. Seema Kala [seema@knto.or.kr](mailto:seema@knto.or.kr)



Ms. Seema Kala is working as Marketing Manager and responsible for Korea Tourism Organization's marketing activities in India through roadshows, product trainings, co-marketing with travel agents, media campaign, developing familiarization trip for media and travel agents, travel fairs & exhibitions participations, developing relationship with Indian film producers and directors for shooting in Korea, market surveys and competitor's analysis.

# Companies

## MR. ROMANCE PRODUCTION



**Mr.Romance**

**TEL** +82-3445-1036  
**FAX** +82-2-6008-5472  
**E-MAIL** ytk@mrromance.co.kr  
**WEBSITE** <http://mrromance.co.kr/>  
**ADDRESS** 3F, 274-9, Nonhyeon-dong, Gangnam-gu, Seoul, Korea

**Filmography**  
**Production Service**  
2015 *Sense 8*  
2015 *Avengers: Age of Ultron*

**Production**  
2012 *The Neighbors*  
2011 *Pain*  
2008 *Beastie Boys*  
2008 *BA:BO*



MR. ROMANCE is a production company that strives to provide dynamic range of variety of contents considering adaptability of rapid changing media environment from 'one-source, multi-use' into 'multi-source, multi-use' method. Even if one image is to be produced, considering the patterns and its wide utilization, it is designed and analyzed cautiously from the very beginning step of planning, process, creating diverse formats of output.

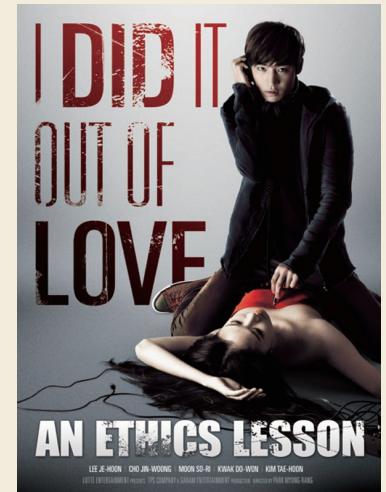
## TPS COMPANY



**TEL** +82-2-2135-1570  
**FAX** +82-2-2135-1577  
**E-MAIL** [tpscolt@gmail.com](mailto:tpscolt@gmail.com)  
**WEBSITE** [www.tpscompany.kr](http://www.tpscompany.kr)  
**ADDRESS** 40-8, World Cup buk 18-gil, Mapo-gu, Seoul, Korea

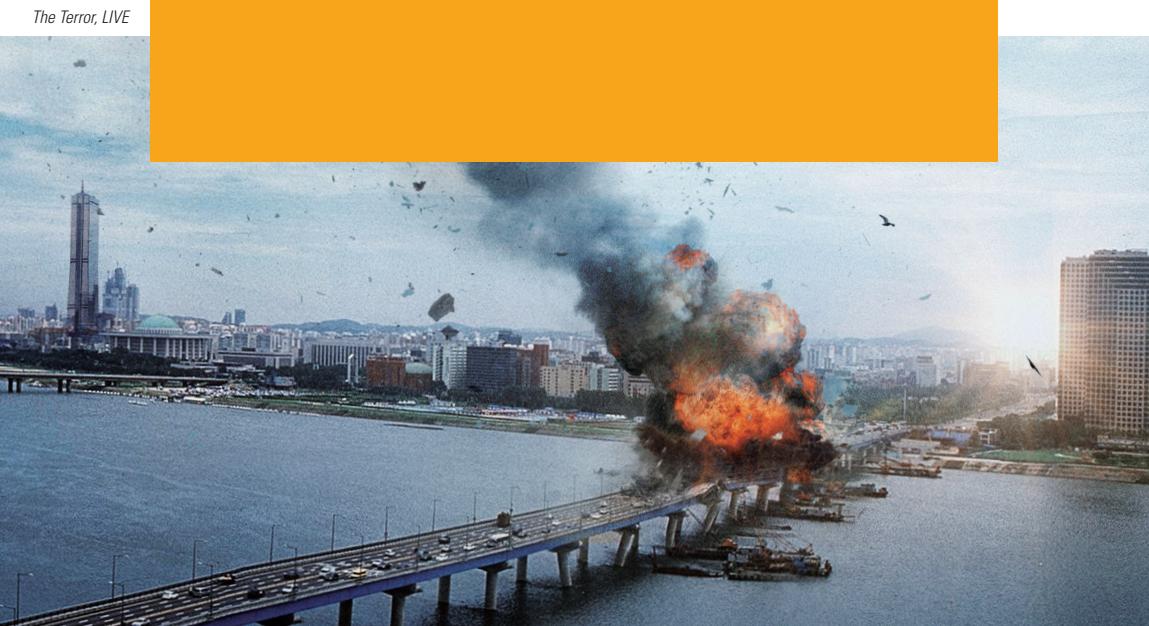
**Filmography**  
**Production Service**  
2014 *Seoul Searching* (USA)  
2011 *The Bourne Legacy* (USA)  
2010 *Approved for Adoption* (France, Belgium)  
2010 *Tiffany Rubin Story* (Canada)  
2010 *Cyrano Agency*  
2009 *Go Go 70's*  
2008 *Girl Scouts*

**Production**  
2014 *Memories of the Sword*  
2013 *An Ethics Lesson*  
2011 *The Front Line*  
2009 *Paju*  
2008 *Ride Away*



TPS Company, Total Production Service Company & The Producers, pioneer of production service in Korean film industry was found in February of 2007. TPS Company was created by physical production savvy producers, line producer, production managers and location managers with expansive experiences of more than 30 commercial films. As one of the most experienced production service companies in Korea. We can produce foreign projects, films and TV programs, looking to shoot in Korea. Specialized in location and production, we expect to meet with potential producers and companies interested in Korea and are looking for the right partner.

# An Overview of Korean Film Industry 2013



In 2013, the Korean film industry generated KRW 1.88 trillion in overall revenue, the highest in its history. This result was fuelled by an increase in total ticket sales as well as a recovery of the ancillary market and overseas exports.

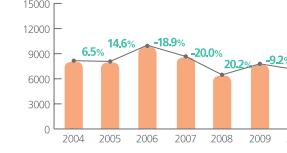
Box office in 2013 reached KRW 1.55 trillion, once again reaching a new benchmark with an increase of 6.6% over last year, while the number of admissions also increased about 9% year-on-year, setting a new record at 213.32 million viewers.<sup>1</sup> Accordingly, average cinema admissions per capita reached 4.25, the second highest ratio in the world. Both admissions and box office reached new records, the former increasing 41.4% (150.83 million 213.2 million) and the latter increasing 58.4% (KRW 979.4 billion KRW 1.55 trillion) compared to 2008 when the Korean film industry was in its worst shape. Korean film admissions in 2013 in particular reached 127.3 million, a 100.3% increase from the 63.55 million recorded in 2008.

Exports showed positive trends as well. Thanks to the 'Snowpiercer Effect' and orders placed from China for technical services used in blockbuster films, exporting of finished films and technical services orders increased 83.7% and 26.8% year-on-year, respectively, while total exports reached USD 59 million (approximately KRW 65.1 billion), a 57.2% increase over 2012. The ancillary market also generated revenue of KRW 267.6 billion, a 24% growth over 2012 thanks to the sales increase generated by IPTV. With the help of sales increases in both domestic and international markets, return on investment (ROI) of Korean cinema maintained its surplus trend at 13.3% in 2012 followed by 15.2% in 2013. Accordingly, the Korean film industry continued to grow in both quality and quantity.

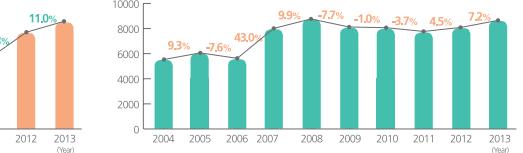
## Admissions



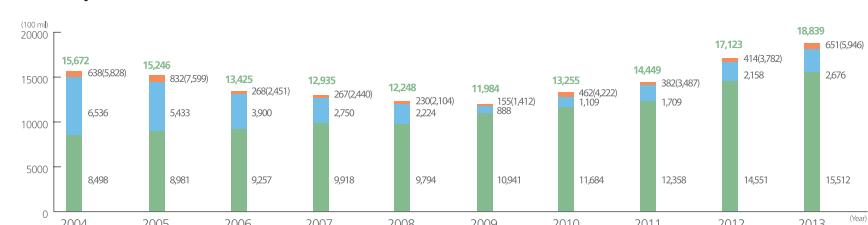
## Korean Film



## Foreign Film



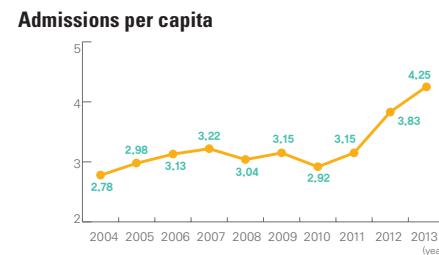
## Film Industry Revenue



### Sustained admission and sales revenue growth

Ticket sales in 2013 increased 6.6% over 2012, leading to a record breaking KRW 1.55 trillion while admissions also reached a new benchmark at 213.32 million viewers with an increase of 9% over 2012. Just like the previous year, Korean films were the leading force behind the overall increase in admissions. Nine out of the top ten box office hits were Korean films resulting in 127.27 million admissions for local films, 11% higher than 2012, and accounted for 59.7% of total admissions.

Because cinema admissions and ticket sales grew tremendously in 2012, expectations for 2013 had been to 'maintain the status quo,' at best. Yet *Miracle in Cell No.7* and *The Berlin File*, released during Lunar New Year season, *Secretly Greatly*, *Cold Eyes*, *Snowpiercer*, *Hide and Seek*, *The Terror, LIVE*, from the summer peak season, and later *The Attorney* swept over theaters throughout the year and succeeded in attracting spectators and increasing overall admissions and Korean film admissions in large numbers compared to the year before. As a result, average admissions per capita in 2013 were 4.25, the second highest in the world.



### Market Share



### Digital online ancillary market on the rise

In 2013, the digital online market grew 24% year-on-year, maintaining its growth momentum. IPTV and digital cable services (henceforth 'TV VOD'), which have been the major driving forces behind this growth, showed a 32.6% increase over 2012, generating sales of KRW 173.7 billion which accounted for 64.9% of the market. Likewise, sales for internet VOD were KRW 72.9 billion, 18% higher than the previous year. Package products took a different turn and were on a downward trend with an 8.7% decline. However, the positive aspect of this result is that the negative figure has decreased from last year when it declined 22.8%, thanks to the increase in Blu-ray sales. Overall, numbers in the ancillary market reflected the strong performances of Korean films in cinemas. All top 10 films for TV VOD were domestic films while *Iron Man 3*, which was a success in theaters, barely made it to the upper ranks. This trend was repeated in the internet VOD market, partly as erotic films were included in the rankings.

### Korean films going global - *Snowpiercer*, *A Wedding Invitation*, *The Last Stand*, *Stoker*, *Bunshinsaba 2*

*Snowpiercer* is significant in a sense that it was a Korean initiative supported by Korean capital and executed by Korean creative manpower that utilized international locations, companies and languages to target the international market. It was a major success domestically and its export revenue accounted for almost half of total Korean film exports in 2013. *A Wedding Invitation* is an excellent example of taking Korean content, modifying it for overseas local markets and then producing and distributing through local production systems. It will be a meaningful case to be referred to when exporting Korean films to the Asian region in the future. *Stoker*, *The Last Stand* and *Bunshinsaba 2* are cases where Hollywood and China joined hands with Korea to utilize original stories, creative manpower (director, cinematographer) and actors. PARK Chan-wook, KIM Jee-woon and AHN Byung-ki were hired by local productions for these three films, coupled with director of photography JEONG Jeong-hun, KIM Jee-yong and CHOI Sang-mook. It is an example of Hollywood utilizing creative resources of Korean cinema, starting from original story and expanding the scope to actors, directors and camera work.

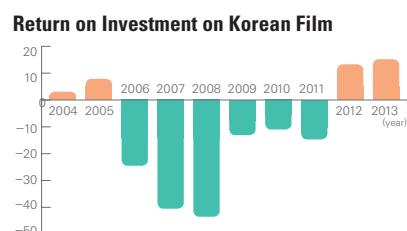


## Continued growth of return on investment

The average return on investment of the 63 commercial Korean films<sup>2)</sup> released in 2013 was 15.2%, which was higher than the 13.3% from 2012. This is the highest rate of return since 2002 and considering that international sales of projects targeting global market such as *Snowpiercer* and *Wedding Invitation* are barely reflected in the data, the actual percentage may even be higher. The two-digit ROI for two consecutive years was achieved through various means including the highest cinema admissions and sales revenue in history, rapid growth of Korean cinema exports and the continuous growth of the digital online market, which demonstrates that the industry, which had shown negative returns from 2006 through 2011, is now on a stable rise. There were 19 projects that passed the break-even point, which is approximately 30.2% of the 63 total commercial films. Eight of those exceeded 100% returns, taking up about 12.7% of the total.



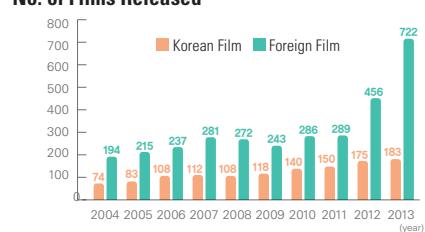
*Wedding Invitation*



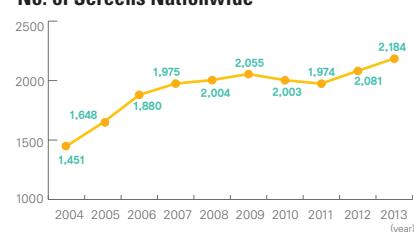
## Increase in number of films released

The number of released films is on the rise as well. A total of 905 movies were released in theaters during 2013, a great leap from the 631 in 2012. As ancillary markets like IPTV emerge as major alternatives to cinema distribution, films that wish to add a line of advertisement reading 'released in theaters,' just as erotic films had done in the past, are being imported and released in large quantities. Nevertheless, the extent of the theatrical release for such films is very limited.

### No. of Films Released



### No. of Screens Nationwide



## Admissions by distributor : CJ E&M on top for 11 consecutive years, a new strong contender in Korean film industry, N.E.W



*Miracle in Cell No. 7*

CJ E&M distributed Korean films including *Snowpiercer*, *The Berlin File* and *The Spy : Undercover Operation* as well as American films such as *Turbo* and *G.I. Joe 2 : Retaliation* to attract 25 million viewers (21.4% market share). The number of admissions as well as the market share declined from 54 million of 2012, but they still remained at the first place.

The good achievement of N.E.W at the second place mainly owes Korean hit films. They attracted 39 million viewers (18.4% market share) with *Miracle in Cell No. 7*, *The Attorney*, *Hide and Seek*, *Cold Eyes*, *New World* and *Montage*. The total of 21 films they distributed include 12 Korean films, which attracted 37 million viewers. It can be deduced from this fact that each of their Korean films were watched by 3 million viewers at average. N.E.W showed 11 Korean films to 19 million people in 2012. Since it was founded in 2008, it has gradually grown and finally

beat 3 major investment and distribution enterprises of Korea, CJ E&M, Showbox and Lotte Entertainment. Rapid decision making as a relatively compact company and bold investment to potential of projects are thought to be what made such quick growth.

Lotte Entertainment, on the third place, presented Korean films including *The Terror*, *Live and Friend : The Great Legacy* and foreign films such as *World War Z* and *Red 2* to 32 film fans (14.9% market share). Showbox on the next place attracted 29 million viewers (13.7% market share) to theaters, where they watched one of 12 films including 11 Korean films like *The Face Reader* (9,134 thousand viewers) and *Secretly Greatly* and an American film *Killing Them Softly*.

### Korean Film Market Share by Distributor, 2013

Rank	Distributor	No. of Titles	Box Office (KRW millions)	Market Share by Box Office	Audiences	Market Share by Admissions
1	NEW	12	268,280	29.5%	37,353,107	29.4%
2	CJ Entertainment	25	255,776	28.1%	35,556,804	28.0%
3	Showbox/Mediaplex, Inc.	12	208,176	22.9%	29,162,266	22.9%
4	Lotte Entertainment	16	119,830	13.2%	16,844,173	13.3%
5	i Love Cinema co., Ltd.	1	21,783	2.4%	3,118,847	2.5%
6	Twentieth Century Fox Korea	1	10,060	1.1%	1,422,844	1.1%
7	Cinus Entertainment	2.5	8,528	0.9%	1,227,013	1.0%
Other		147.5	16,773	1.8%	2,423,493	1.9%
<b>Total</b>		<b>217</b>	<b>909,206</b>	<b>100%</b>	<b>127,108,547</b>	<b>100%</b>

① According to Screen Digest, a British company dedicated to cultural contents research and analysis, average annual cinema admissions per capita in 2012 was 4.9 in Iceland, 4 in Singapore, 3.9 in U.S., 3.7 in Australia, and 3.4 in France.

② 'Commercial film' here can be defined as films that are applicable to analytic research of Korean film investment returns, that tend to be produced and distributed under commercial initiatives (with total production cost of KRW 1 billion or releases at more than 100 screens nationwide).

# KOFIC Location Incentive - 2014 Guidelines

## 1. Program Summary

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### (1) Purpose

- The money provided by this incentive program is in its entirety drawn from the Tourism Promotion and Development Fund and shall be used to support part of the expenses spent in Korea for producing foreign audio-visual works, for the purpose of tourism promotion, job creation and other economic benefits.
- It is also aimed at encouraging the hosting of location shooting and post-production of foreign audio-visual works and thereby enhancing the production capacities of the Korean film industry and creating an international production network around it.

### (2) Eligible Works

- Feature films, television series and documentaries produced by a foreign production company, in which the allocation of foreign capital in the production cost exceeds 80%

- **Feature film** : a consecutive set of images or video on film, disks, or digital medium, with minimum runtime of 70 minutes produced for public viewing at a cinema, screening facilities or similar places and/or through on-line streaming.
- **Television series** : a series of dramas or shows produced for television broadcast or on-line streaming, with a pre-planned set number of episodes sharing a common theme or structure.
- **Documentary** : a documentary produced for viewing at a cinema, screening facilities or similar places, television, or on-line.

\* Animation, commercials, sports events, and educational programs are not eligible.



- Eligible works must satisfy the following requirements:

- Must receive approval from the Review Committee who will evaluate, among other things, the following three elements: (1) the degree to which the work promotes tourism and creates revenues ("tourism and audience expansion"); (2) the degree to which the work contributes to the Korean film industry ("quantitative contribution"); and (3) the extent to which the foreign producer participates in the production of the work ("foreign engagement")
- Must spend no less than 100 million KRW (approx. 100,000 USD) in Korea for production expenditure as recognized by the Korea Film Council ('Qualifying Production Expenditure' or QPE). For a television series, the production costs of all the episodes can be aggregated.
- Must shoot more than 3 days in Korea

### (3) Eligible Applicants

- A corporation organized and registered as a business in Korea meeting the following requirements:

- A film producer or a video producer recognized under the Film and Video Works Promotion Act or an independent broadcasting audio-visual work producer recognized under the Basic Law on Cultural Industry Promotion.
- Must be a company who has signed with a foreign production company on a production service agreement, and thereby provides services necessary for in-Korea production of a foreign audio-visual project and operates and manages the relevant financial account for the production. This company may be a Korean subsidiary of or a Korean company invested by a foreign production company. Provided that, the aforesaid foreign production company shall not be a Korean company's overseas branch or owned more than 50% by a Korean company, its foreign subsidiary or a Korean person.

### (4) Amount of Grant

- Up to 30% of the total QPE in cash pending on the available amount in the program's total budget

- **30% rebate** : Shoot more than 10 days in Korea  
Spend more than 2 billion KRW(2 million USD)
- **25% rebate** : Shoot more than 7 days in Korea  
Spend between 500 million KRW(500,000 USD) and 2 billion KRW(2 million USD)
- **20% rebate** : Shoot more than 3 days in Korea  
Spend between 100 million KRW(100,000 USD) and 500 million KRW(500,000 USD)

- Only those costs incurred from 6 months prior to the commencement of the principal photography in Korea to the date of the audited expenditure statement are recognized as QPEs. The expenditure statement must be qualified under the Standard for Qualifying Production Expenditure in the attachment.
- Post production costs or labor costs for actors/actresses and staffs must not exceed 50% of the total QPE.
- Any production cost for which government and government-related funding has been made available shall not be recognized as QPE. However, support from a regional film commission can be included in the expenditure statement.

### (5) Application period : All year round

### (6) Program Budget

- The amount of each grant shall be determined by taking into account the remaining program budget on the date of the evaluation.
- The grant is subject to taxation.

## 2. Grant Application and Payment Process

### (1) Application Process

- Overall process : (1) Provisional application; (2) Entering into an agreement; (3) Final application; and (4) Grants awarded

#### Provisional application

The applicant submits the provisional application with supporting documents. The Review Committee evaluates the application and decides on the eligibility and the provisional grant amount, if any. Finally, KOFIC, after deliberating upon the Review Committee's evaluation results, makes the final decision and notifies the applicant.

#### Entering into an agreement

KOFIC and the recipient enter into a grant agreement.

#### Final application

The recipient submits the final application, the audited expenditure statement, and other supporting documents, and the Review Committee makes the final decision on the eligibility and the final grant amount.

#### Grants awarded

KOFIC deliberates on the final evaluation results of the Review Committee and makes the payment to the applicant.

### (2) Provisional Application

- The Applicant must submit the following documents no later than 1 month and no earlier than 6 months prior to the commencement of the principal photography in Korea

On-line submission	<ul style="list-style-type: none"> <li>① Provisional Application (KOFIC Form)           <ul style="list-style-type: none"> <li>- Applicant information and foreign production company's information</li> <li>- List of locations for the shoots, confirmed cast, production staff and all technical equipment providers</li> <li>- Synopsis</li> </ul> </li> <li>② Overall Shooting Plan in Korea</li> <li>③ Copy of the applicant's business registration, copy of the corporate registry and certificate of registration either as a film producer, a video producer, or an independent broadcasting producer</li> <li>④ The foreign production company's business registration and corporate registry or its equivalent</li> <li>⑤ Summary of estimated budget and detailed budget outline of production costs to be spent in Korea (KOFIC-recommended form; fill out all major/minor categories)</li> <li>⑥ The final script and its Korean translation</li> </ul>
Off-line submission	<ul style="list-style-type: none"> <li>① The total production costs financing plan prepared by the foreign production company (KOFIC Form)</li> <li>② A copy of the investment agreement from the foreign production company and its notarized Korean translation</li> <li>③ A copy of the production service agreement between the applicant and the foreign production company, and its notarized Korean translation</li> </ul>

- The applicant may not apply for an amount exceeding the amount estimated to spend in Korea stated in the production service agreement.
- In the event that KOFIC requests additional documents, the applicant shall submit the documents within 5 days. Any delay may result in cancellation or deferral of the application.
- KOFIC shall convene the Review Committee which then shall evaluate the application documents and decide on the applicant's eligibility, approve or disapprove the grant, and the grant amount.
- The Review Committee shall set the grant amount within the total program budget remaining on the evaluation date.
- KOFIC shall deliberate upon the evaluation results of the Review Committee and make the final decisions and notify the applicants accordingly. KOFIC shall have the final authority on the eligibility and the amount, and its decision is not subject to appeal. However, provided that an application previously rejected has been edited to meet the requirements, may be resubmitted.

### (3) Entering into an agreement

- The applicant and KOFIC shall sign an agreement within 2 weeks after the results of the provisional application process are announced.
- Three (3) copies of the agreement shall be submitted, one of which shall be notarized at the applicant's expense.
- In interest of an efficient allocation of the program budget, if the principal photography in Korea does not commence within 3 months after entering into the agreement, KOFIC may cancel the agreement and the grant.

### (4) Interim Partial Pay-out

- If deemed necessary, the applicant may request a one-time partial settlement of the grant before the production is completed by submitting a few documents including a certificate of performance bond and an audited expenditure statement for the costs incurred thus far.



## (5) Final Application

- The applicant shall complete the production within 12 months after submitting the provisional application, and submit the final application and other supporting documents below within 1 month after the production is complete. Submission period can be extended upon the parties' mutual consent

On-line submission	<ul style="list-style-type: none"> <li>① Final Application (KOFIC Form)           <ul style="list-style-type: none"> <li>- List of locations for the shoots, all cast, all production staff and all technical equipment providers</li> <li>- Synopsis</li> </ul> </li> <li>② Daily shooting report</li> <li>③ Summary of total production costs, and detailed breakdown of total production costs spent in Korea (KOFIC-recommended form; fill out all major/minor categories)</li> <li>④ The final script and its Korean translation</li> </ul>
Off-line submission	<ul style="list-style-type: none"> <li>① The total production costs financing plan prepared by the foreign production company (KOFIC Form)</li> <li>② The audited expenditure statement (on the KOFIC-recommended form)</li> <li>③ The distribution/exhibition agreement or any certificate of such distribution/exhibition, and its notarized Korean translation</li> <li>④ Digital files or DVDs containing the cuts shot in Korea</li> </ul>

**\* Following documents must be resubmitted in the event of any changes to the original application:**

- Applicant information and foreign production company information (KOFIC Form)
- The applicant's and the foreign production company's business registration and corporate registry or its equivalent
- The applicant's certificate of registration as a film producer, or a video producer, or an independent broadcasting producer
- A production service agreement between the applicant and the foreign production company, and its notarized Korean translation

• Distribution/exhibition agreement

- In order to prove that the production is complete and therefore the work is ready for theatrical exhibition, television broadcasting or on-line streaming, the recipient must submit the work with the credits attached.
- In the event that the production is not complete, digital files or DVDs containing the cuts shot in Korea shall be submitted instead.
- In the event that the digital files or DVDs are not provided, KOFIC shall be allowed to attend the screening of the work.
- A distribution/exhibition agreement between the foreign production company and local distributors or a certificate thereof shall be submitted.

• Audited Expenditure Statement

- The recipient must submit an audited expenditure statement on all claimed QPEs and the auditors must meet the following requirements
  - Shall not be the recipient's shareholder, investor, full-time officer, employee or employer
  - Shall not be subject to the restrictions under Article 33 of the Certified Public Accountant Act
  - Shall be an accounting firm under Article 23 of the Certified Public Accountant Act with more than 100 accountants
- The auditor shall certify on the expenditure statement that (1) he meets the aforesaid qualifications; and that (2) he has thoroughly fulfilled his auditing role by checking whether production expenses spent in Korea have been administered in accordance with the KOFIC Location Incentive 'Standard for Qualifying Production Expenditure' and the support documentation has been lawfully prepared. The auditor shall also state the total amount of the QPE, and shall attach the following documents:
  - Summary of production expenses spent in Korea (KOFIC-recommended form; fill out all major categories)
  - Detailed expense report of production expenses spent in Korea (KOFIC-recommended form; fill out minor categories)
  - Detailed expense report referred to the final application (KOFIC-recommended form; prepare in the order of major, intermediate, and minor categories; fill in the dates, recipients, amounts, and method of payment; and print out each major category separately).

\* All of the above must be submitted in soft copy (e.g. Microsoft Excel)

- Expense Report of the Total Production Costs

- The recipient must submit an expense report on the total production costs prepared by the foreign production company in order to prove that more than 80% of the total production costs were drawn from foreign capital.
- As to the production costs not yet disbursed by the date of the aforementioned report, the foreign production company must state the amounts and their uses in the report.

- In the event that KOFIC requests additional documents, the applicant shall submit the documents within 5 days. Any delay may result in cancellation or deferral of the application.
- KOFIC shall convene the Review Committee which then shall evaluate the application documents and decide on the eligibility and the final grant amount, taking into consideration of the "tourism and audience expansion", "quantitative contribution", "foreign engagement", and fiscal feasibility.
- If the actual production proceeded differently from the plan set forth in the provisional application and the Review Committee does not find the changes reasonable, KOFIC may cancel the grant.
- KOFIC shall deliberate upon the evaluation results of the Review Committee and make the final decision and notify the applicants accordingly. KOFIC shall have the final authority on the eligibility, and its decision is not subject to appeal.

#### **(6) Grants Awarded**

- KOFIC shall transfer the agreed amount to the applicant's bank account based on the QPE amounts.

- KOFIC may cancel the grant decision in event of one of the following, in which case the recipient must return any funding already disbursed:

- fallacy in the submitted documents
- refusal to respond to additional document requests
- breach of the duties set forth in the grant agreement, etc.

#### **(7) Convening of Review Committee**

- KOFIC shall construct a Review Committee consisting of no more than 8 people (from or outside of KOFIC) who shall decide on the eligibility, whether to reward the grant, the feasibility of the budget and its actual administration, and the grant amounts.
- KOFIC shall accept only those provisional applications accompanied by sufficient support documents, and the Review Committee shall evaluate the applications in the order of acceptance.
- The Review Committee may make additional document request to the applicant through KOFIC, and may suspend the evaluation until such request is fulfilled.

### **3. Miscellaneous**

- In event that the released audio-visual work differs from the work submitted with the final application, that the application was made in deceit, or that the applicant has failed to perform the grant agreement, KOFIC may cancel the decision and may request reimbursement of the grant money already disbursed.

- All QPE must be disbursed from a separate bank account denoted in the provisional application.

- Any change in the ownership of the production shall be pre-approved in writing by KOFIC.
- The final credit must acknowledge KOFIC's assistance by including the following phrase in the relevant language: With the participation of the KOFIC Location Incentive
- KOFIC may use the information submitted by the applicant for research and policy development purposes, and may use parts of the work for this program's publicity purposes.
- The work must be theatrically released or broadcast on television or screen on-line in overseas territories. In the event that a commercial DVD of the final work (including all the credits) is released, 2 copies must be submitted.
- The applicant must be debt-free with respect to KOFIC before the provisional application is submitted.
- KOFIC may change or update the program's rules, requisite documents, and time lines intermittently.



A night view of a city skyline with a river in the foreground, and a traditional Korean gate (Hwaseong) in the foreground with fireworks in the background. The city skyline is reflected in the water. The Korean Film Council (KOFIC) logo is in the bottom right corner.

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# Standard for Qualifying Production Expenditure



## Section 1

### **PURPOSE**

1. This criteria set out the detailed standard for expenditures which can be applied for KOFIC Location Incentive.

## Section 2

### **DEFINITION OF QUALIFYING PRODUCTION EXPENDITURE (QPE)**

#### **Introduction**

2. This section outlines the definition of Qualifying Production Expenditure which recognized by the Korean Film Council("KOFIC").
3. All costs claimed as QPE must be presented in an audited expenditure statement attached to each application. Arrangements in application should be made to track expenditure that relates to the Korea and non-Korea production activity in order to determine the eligible QPE grant.
4. QPE is generally defined as the production expenditure spent by the applicants in the manner of corporate prepaid/credit card or wire transfer on the audio-visual works production where that expenditure is incurred for, or is attributable to the following item. The corporate card and bank accounts used must be reported in the provisional application.
  - Goods and services provided by a business entrepreneur in Korea;
  - Services provided by person who resided in Korea for one year or more (hereinafter referred to as a "resident"); if provider for service is not of Korean nationality, he or she should obtain appropriate a visa to entry into Korea in accordance with the Immigration Act;
  - The use of land or a good located in Korea.
5. The term "business entrepreneur in Korea" in the criteria is one which completes registration of business and falls under any of the following items:
  - A person who holds his/her domicile in Korea or has held his/her temporary domicile in Korea for one year or more

- A corporation with its headquarters, main office or actual business management place located in Korea
- 6. Applicant should submit corporate card transaction receipt, (tax) invoice and a copy of a bankbook as documentary evidence for expenditure to be qualified for the grant. In cases where cash expenditure is inevitable however, this may be considered QPE if cash receipts (issued with corporate name) are provided as evidence. This only applies to cash spent during filming on location.
- 7. QPE is defined as expenditure incurred from pre-production stages to post-production stages with respect to the audio-visual works production. Post production costs or labor costs for actors/actresses and staffs must not exceed 50 percent of the total QPE.
- 8. QPE is limited to expenditure that is incurred from no earlier than 6 months before the start of principal photography in Korea to issuance date of audit report.

## Example of QPE

- 9. For the sake of clarity, the following expenditure items are specifically noted as being included within QPE.
  - (a) Pre-production Expenditure
  - (b) Copyright Acquisition
  - (c) Travel to Korea
  - (d) Freight
  - (e) External audit fee
  - (f) Depreciation expense
  - (g) Remuneration for the cast and crew

### (a) Pre-production Expenditure

- 10. Pre-production expenditure is defined as expenditure incurred in Korea on the development and pre-production stages of the audio-visual work production i.e., prior to the commencement of principal photography. Pre-production expenditure is counted from 6 months before the commencement of principal photography.

### (b) Copyright Acquisition

- 11. The cost of copyright or licensing of copyright for use in the audio-visual work production may be claimed as QPE if the original owner of copyright is a business entrepreneur in Korea.

- 12. Incidental expense like cost of commissioning and purchasing copyright for use in the audio-visual works production may be claimed as QPE if the cost was incurred in Korea.

### (c) Travel to Korea

- 13. Travel to Korea for work undertaken on the audio-visual work production by non-resident cast and crew may be included as QPE where that travel relates to incoming journeys:
  - for foreign cast and crew who work on the production in Korea for a period totaling three days or more; and
  - for airline fare is paid to business entrepreneur in Korea

### (d) Freight

- 14. International freight, provided that it is paid to business entrepreneur in Korea, may be included within QPE.

### (e) External audit fee

- 15. External audit fee for audited expenditure statement that is provided by business entrepreneur in Korea may be included within QPE. The audit must be prepared by a person who is:
  - Not the shareholder, investor, full-time officer, employee or employer of the applicant company
  - Not subject to the restrictions under Article 33 of the Certified Public Accountant Act
  - An accounting firm which is under Article 23 of the Certified Public Accountant Act with more than 100 accountants

### (f) Depreciation expense

- 16. Where an applicant directly purchases an asset for use in the audio-visual works production and states depreciation expense that is equivalent to its production period in financial statement, the depreciation expense can be claimed as QPE. Depreciation expense that is equivalent to QPE is limited in accordance with the Corporate Tax Law in manner of:
  - Method: straight-line depreciation or declining balance method
  - Durable years: Standard durable years in accordance with the Enforcement Rule of Corporate Tax Law

- 17. Where an applicant states depreciating asset as expense, provided that acquisition asset which an applicant purchase for use directly in an audio-visual work production costs 1 million KRW or less per transaction, the expenditure may be included within QPE.

18. Where an applicant purchases for use directly in an audio-visual work production and sells or dispose within the period for audio-visual works production, an amount stated as loss on disposal of the asset may be included within QPE.
19. The above depreciating asset is defined in accordance with the Article 24 of Enforcement Decree of Corporate Tax Law except for immovable property and assets needed registration.

**(g) Remuneration for the cast and crew**

20. Where a person who is not restricted for an audio-visual work production in accordance with the law of the Korea and provides service in Korea as cast who is presented in the audio-visual work or crew, remuneration for the cast and crew may be included within QPE, and the only amount of income subject to tax withholding in Korea is qualified as QPE.
21. Where commission fee for the agent is included within the total amount which is equivalent to remuneration for the cast and crew and is qualified as QPE, the commission fee for the agent may be included within QPE.

## Exemption items

22. The following expenditure items do not qualify as QPE and should be excluded:

- (a) Financing Expenditure
- (b) Airline fare relating to Short-term Visits for the cast and crew
- (c) Paid money and valuables for the cast and crew besides remuneration
- (d) Costs of Services embodied in Goods
- (e) Acquisition of depreciating assets
- (f) Fees for services subcontracted to business entrepreneur besides Korea
- (g) Costs of operating office
- (h) Other expenditures which are not regarded as QPE determined by KOFIC.

**(a) Financing Expenditure**

23. Financing expenditure includes returns payable on amounts invested in the audio-visual works production and expenditure connected with raising and servicing finance for the audio-visual works production, such as interest payments, bank commission fee. Financing expenditure is not to be included as part of QPE.

**(b) Airline fare relating to Short-term Visits for the cast and crew**

24. Non-resident personnel who travel to Korea and do not work on the audio-visual works production for three days or more, the expenditure in relation to airline fare do not include as QPE.

**(c) Paid money and valuables for the cast and crew besides remuneration**

25. Money and valuables paid more than the amount in a prior agreement or a contract for the cast and crew are not included within QPE. Per Diem that an applicant pays foreign cast and crew is not qualified as QPE.

**(d) Costs of Services embodied in Goods**

26. If the cost of certain services are embodied in the cost of a good that is delivered to the applicant company, and those services were predominantly (i.e. greater than 50 percent of cost) performed outside Korea, then those services are not provided in Korea for the purposes of determining QPE.

**(e) Acquisition of depreciating assets**

27. Except for copyright acquisition expenditure that qualifies as QPE, the acquisition of a depreciating asset and any capital costs invested in that asset do not qualify as QPE. (See the Article 24 of Enforcement Decree of Corporate Tax Law for the definition and treatment of a depreciating asset)

**(f) Fees for services subcontracted to business operator besides Korea**

28. Where fees subcontracted in foreign country besides Korea are paid for Post, digital and visual effects production and on the audio-visual works production, the fees are not regarded as QPE.

**(g) Costs of operating office**

29. Office rental and expenditures for consumption goods and miscellaneous things are not regarded as QPE.

**(h) Other expenditures which are not regarded as QPE determined by KOFIC**

30. Expenditures, gifts, gifts certificate, entertainment and gratuities, fines which are executed for business entrepreneur who is involved in 'the restricted types of business for common application' under the Appendix 2 of the Instruction 211 from Ministry of Culture, sports and Tourism.
31. A list of disqualified expenditures determined by KOFIC through annual guidelines of the said business is not regarded as QPE.

## Section 3

# TREATMENT OF QPE

### Basis of Expenditure

32. To be included as QPE, an expenditure item must have actually been paid.

### Value Added Tax (VAT)

33. All figures set out in this document are quoted net of VAT. As such, the grant is calculated in relation to amounts that are net of VAT.

### Arm's Length's Expenditure

34. The basis of the arm's length principle is to ensure that amounts charged between the applicant company and any associate companies including parent and subsidiary companies for the provision of goods and services are commercially reasonable.

35. Where the applicant incurs expenditure under a non-arm's length arrangement which inflates or deflates the cost of a particular good or service in relation to the screen production, only expenditures paid for goods and services as the prices applied or to be applied in sound and generally-accepted practice and related activities (see the Section 2, Article 52 of Corporate Tax Law) in normal transactions between persons without a special relationship are regarded as QPE.

36. The arm's length principle applies to any act or transaction directly connected with any expenditure paid by the applicant.

### Expenditure in case of an applicant takes over the production from another company

37. QPE may be qualified to a company which acquired by transfer a screen production from another company and complete the project. Expenditure that company which yielded the business expends on screen production may be included within QPE for the company which yielded the project. Fees used to acquire the project are not included within QPE.

38. In the above case, where the production discontinues after transfer, final application for the grants is unavailable, and where the project production is transferred, it should be approved through documents by KOFIC in advance.



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